WHERE DO ALL THOSE STOLEN CAR RADIOS GO?

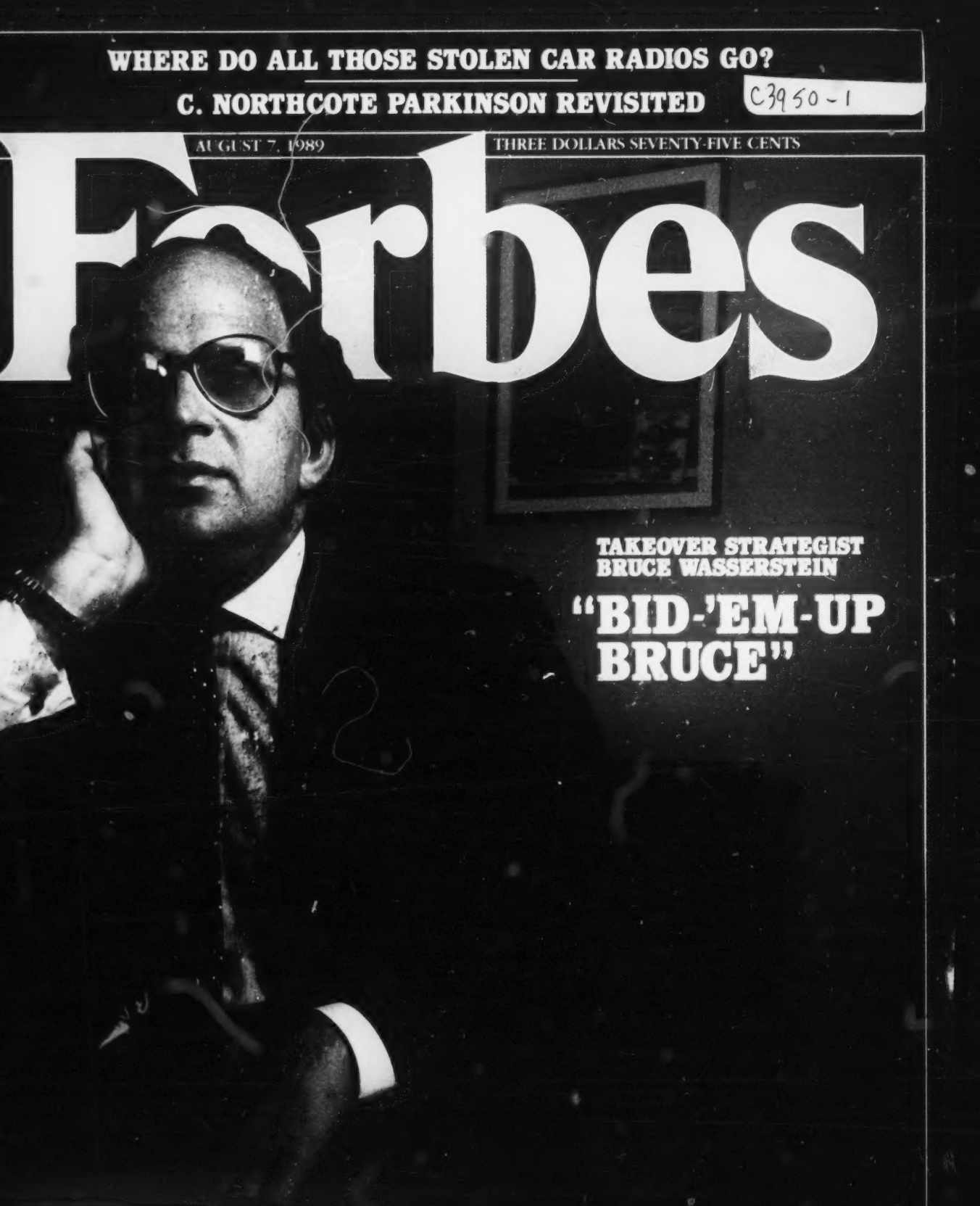
C. NORTHCOTE PARKINSON REVISITED

C3950-1

AUGUST 7, 1989

THREE DOLLARS SEVENTY-FIVE CENTS

Forbes



TAKEOVER STRATEGIST BRUCE WASSERSTEIN

"BID-'EM-UP BRUCE"

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Forbes

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Cover Photo by Richard Bowditch

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AUGUST 7, 1989
VOLUME 144
NUMBER 3

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Operators

SIR: Talk about a license to steal! I have never seen it so blatantly exercised as in the moneymaking scheme between International Telecharge and subscribers. ("A bubble ready to burst?" *June 12*). I can't see where the telephone user benefits one iota from this service.
—Robert L. Ord
Denver, Colo.

Upgrade

SIR: Your ranking of the top 500 foreign companies *(July 24)* contained incorrect figures for Mitsubishi. Revenues were in fact $121,965 million, net income $360 million and assets $72,037 million.
—Kyosuke Mori
Corporate Communications Department
Mitsubishi Corp.
Tokyo, Japan

FORBES regrets the error. Mitsubishi, ranked fourth in sales volume, should have been ranked second.—ED.

No evidence

SIR: Re "Asbestos again?" *(June 12)*. There is no credible evidence that patients with cobalt-chromium, or other presently used alloys, are at an increased risk of developing cancer at the site of the implantation.
—Nas S. Eftekhar, M.D.
Director, Implant Service
Columbia-Presbyterian Medical Center
New York, N.Y.

SIR: The experimental data on the potential cancer-causing problems of cobalt-chrome orthopedic prostheses are conclusive: Implants cause high numbers of tumors in laboratory animals. To settle the disturbing question of whether these devices promote cancer in humans, a prospective medical study needs to be performed.
—Nir Kossovsky, M.D.
Assistant Professor of Pathology
UCLA
Los Angeles, Calif.

SIR: You have done a great disservice to previous and prospective patients who may forgo a beneficial procedure or find themselves living in unwarranted fear of contracting cancer.
—Joseph McCourt
President
Vitek, Inc.
Houston, Tex.

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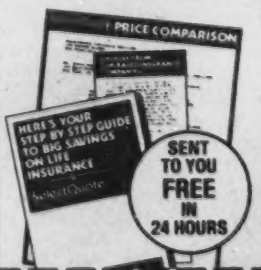

Name		
Spouse's Name		
Address		
City	State	Zip
Complete before mailing Amount of coverage ($50,000 minimum)	YOU $	SPOUSE $
Birth Date	/ /	/ /
Sex	☐M ☐F	☐M ☐F
Do you qualify for non-smokers discount? (No cigarettes in last 12 months)	☐ Yes ☐ No	☐ Yes ☐ No
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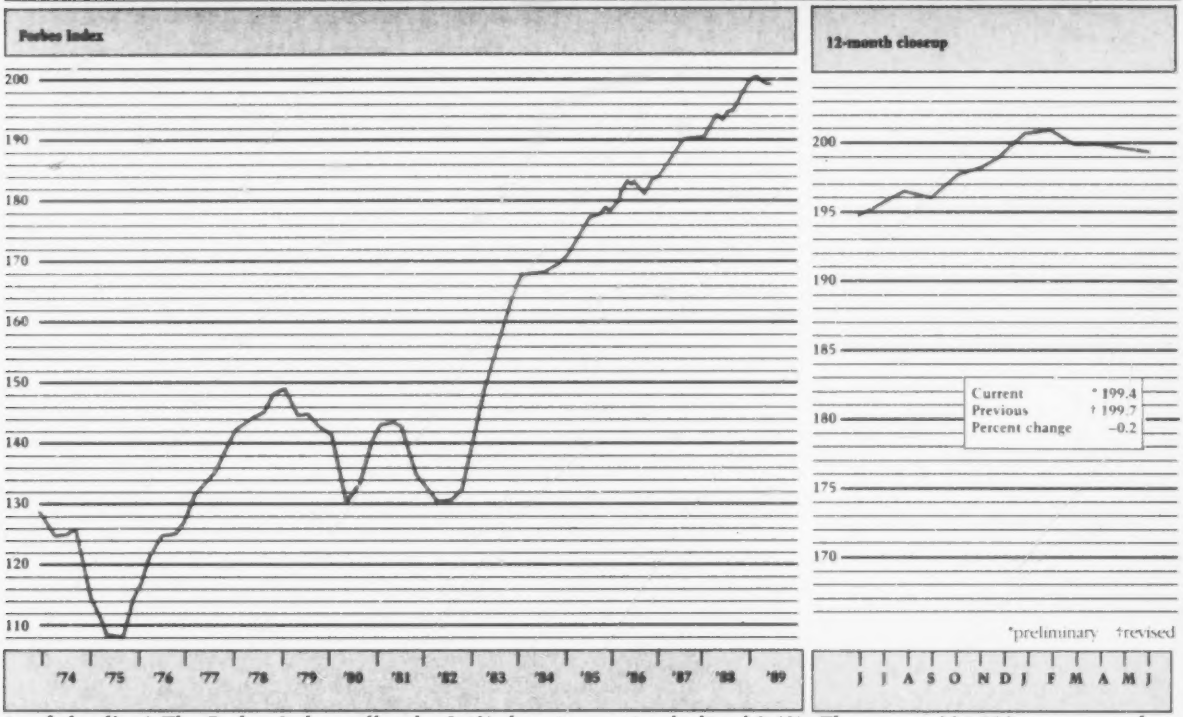
The Forbes Index



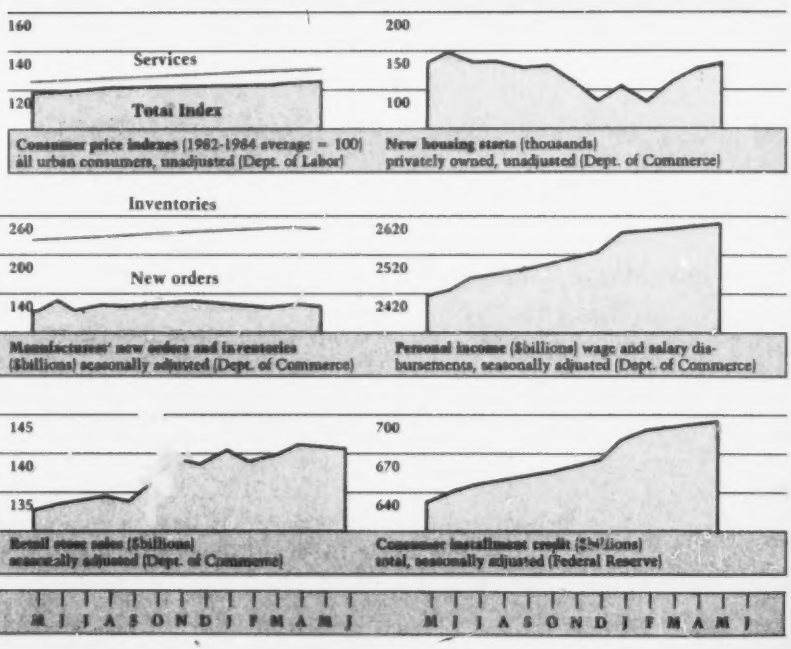
A soft landing? The Forbes Index suffered a 0.4% drop in March and 0.1% declines in April and May. The preliminary June figure showed a 0.2% decline. Industrial production fell 0.2% in June, the first drop since February, as factory utilization slipped 0.3%, to 83.5% of capacity. Manufacturers' new orders fell 4.5% in May, while inventories declined 0.6%. There were 334,900 new unemployment claims in June, which is the highest monthly total in 17 months. June retail sales eased 0.4%, to $140 billion.

A slowing economy yielded a rare—and probably welcome—drop in wholesale prices as the producer price index fell 0.1% in June, the first decline since December 1987.

The Forbes Index Components

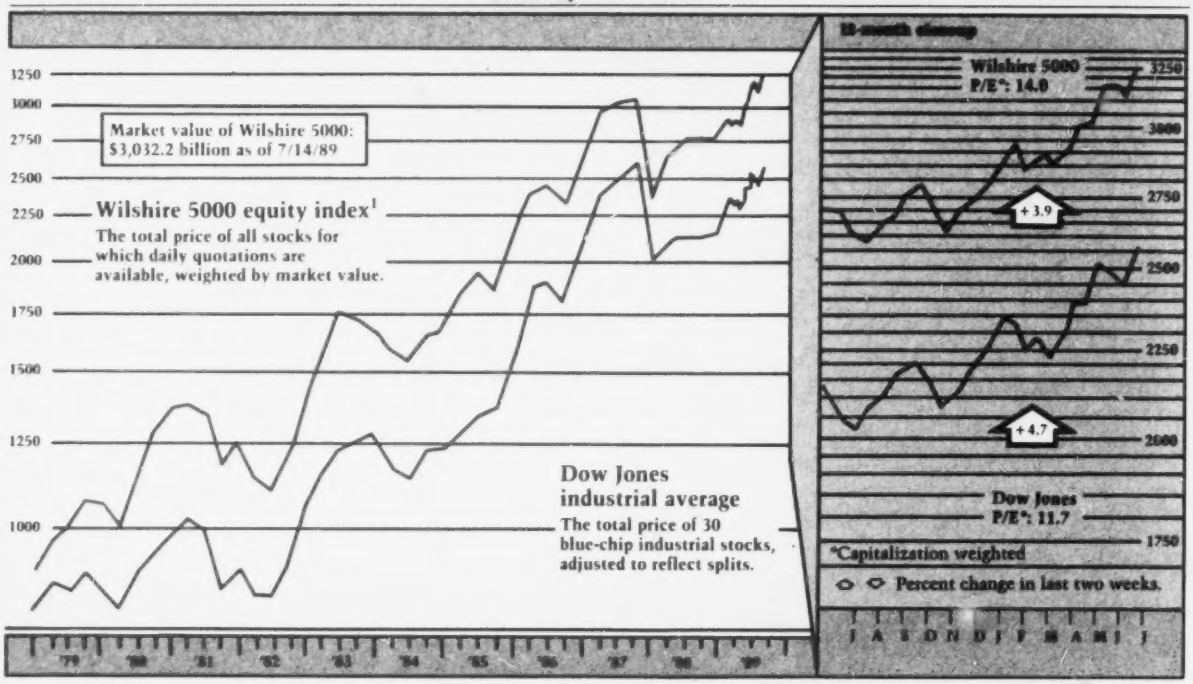
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


160
140
120
Services
Total Index
200
150
100
Consumer price indexes (1982-1984 average = 100) all urban consumers, unadjusted (Dept. of Labor)
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
Inventories
144
141
138
260
200
140
New orders
2620
2520
2420
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
Manufacturers' new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
150
250
350
145
140
135
700
670
640
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
M J J A S O N D J F M A M J
M J J A S O N D J F M A M J
M J J A S O N D J F M A M J

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen


Market value of Wilshire 5000: $3,032.2 billion as of 7/14/89
Wilshire 5000 equity index[1]
The total price of all stocks for which daily quotations are available, weighted by market value.
Dow Jones industrial average
The total price of 30 blue-chip industrial stocks, adjusted to reflect splits.
Wilshire 5000 P/E*: 14.0
Dow Jones P/E*: 11.7
+3.9
+4.7
*Capitalization weighted
Percent change in last two weeks.

Up from the deep. The Dow industrials began the third quarter with eight consecutive winning sessions. Although trading volume was relatively light, the industrials picked up 102 points, or 4%, in the two weeks ended July 14. The July 4 holiday and a lack of new takeover stories (except for Sir James Goldsmith's $21 billion offer for B.A.T Industries) contributed to the lackluster volume figures, but the Dow and other major indexes, such as the NYSE composite, hit postcrash highs. The Amex composite, a total return index that includes reinvested dividends, reached an alltime peak. The Wilshire market value index of 6,000 stocks rose almost 4%, to 3259, within 40 points of its record peak. Stocks in the index have a combined market value of $3 trillion.

Richard L. Evans, research director of the *Dow Theory Forecasts*, thinks the market has been helped by strength in the Dow transportation stocks, which have jumped 27% since the start of 1989.

Closeup On the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	2.7	3.2	2.8	3.0	1.7	0.4
in last 52 weeks	20.0	20.3	20.0	20.4	19.0	13.8

Stock performance based on six key investment variables[3]

Percent change	Company size		Volatility[4]		P/E multiple		Dividend yield		Growth profile[5]		Share price	
	large	small	high	low	over 21	under 8	over 4.5%	none	high	low	over $34	under $5
in last 4 weeks	3.0	1.9	0.1	2.7	1.2	0.5	1.3	0.1	0.4	2.0	2.5	0.2
in last 52 weeks	22.6	22.8	10.4	13.5	25.7	12.1	6.4	19.4	14.9	16.1	24.3	4.9

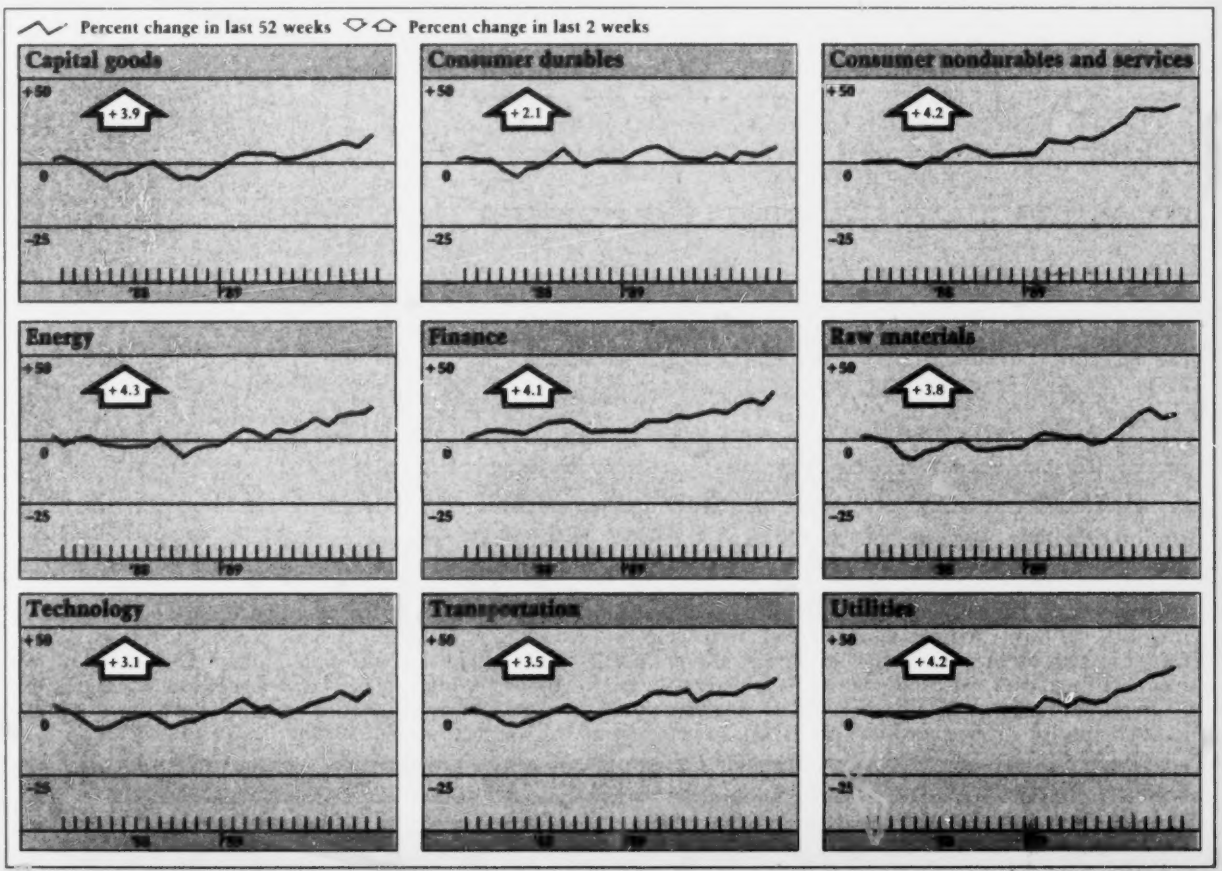
[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. [3]Equal weighted indices containing all shares with market capitalizations over $10 million. [4]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. [5]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 7/14/89. Prepared by Wilshire Associates, Santa Monica, Calif.

Where the Action Is

Flying away. In the last two weeks the transportation stocks were not the best-performing group, but they may have generated the most excitement. NWA, the parent company of Northwest Airlines, agreed to a takeover by investor Alfred Checchi on June 19. And UAL, holding company for United Airlines, jumped 20% to 166¾ in anticipation that it may also be an acquisition target. UAL has a book value of only $57 a share, but its fleet and its landing spots give it a breakup value that some analysts put at $200.

Consumer nondurables posted a 4% two-week gain. Time Inc. lost over 6% of its market value as the company won a legal victory allowing it to proceed with its acquisition of Warner Communications.



What the Analysts Think

High(er) energy. While analysts were cutting a large number of estimates in the last two weeks, the energy group managed to show a 0.3% increase in its composite 1989 earnings forecast. Holly Corp., a Dallas-based refining and marketing company, showed the largest 1989 estimate increase, a jump from $3.81 to $4.19 per share.

Forecasting the Forbes Index

Performance period	Average earnings per share	P/E
latest 12 months	$3.31	13.3
1989 estimates	3.75	11.7
1990 estimates	4.08	10.8

Rank based on change in estimates	Sector	Estimated 1989 EPS	P/E	% change in 1989 estimate in 2 weeks	in 4 weeks
1	Energy	$3.33	12.1	0.32%	0.91%
2	Consumer nondurables	2.60	16.7	-0.01	-0.35
3	Utilities	2.97	12.1	-0.04	-0.13
4	Transportation	2.73	11.7	-0.05	-0.55
5	Capital goods	2.96	13.6	-0.32	-0.43
6	Finance	3.45	10.0	-0.36	-0.90
7	Consumer durables	3.46	11.4	-0.42	-0.88
8	Raw materials	3.36	9.7	-0.44	-0.79
9	Technology	3.06	12.1	-0.49	-1.67

Earnings projections are capitalization-weighted consensus estimates from over 3,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 7/14/89. Prepared by Wilshire Associates, Santa Monica, Calif., IBES, a service of Lynch, Jones & Ryan, New York.